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ONE HUNDRED SEVENTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
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December 14, 2022

The Honorable Jennifer Granholm
Secretary of Energy
U.S. Department of Energy
1000 Independence Ave., Southwest
Washington, D.C. 20585

Dear Secretary Granholm:

We write requesting you schedule a briefing for Department of Energy (DOE) officials and/or employees to inform Committee staff on why DOE awarded \$200 million in taxpayer dollars to Microvast Holdings, a company, by its own admission, regulated and controlled by the Chinese government (“PRC” or “People’s Republic of China”)—more accurately known as the Chinese Communist Party (CCP).¹ As you are aware, Microvast was awarded a lucrative federal grant in October 2022.² DOE’s award to Microvast, conflicts with your representations to this Committee and ignores national security concerns raised by the Director of the Federal Bureau of Investigation (FBI).³

On May 19, 2021, you testified before this Committee your intent to avoid the CCP’s influence over the battery market:

Sec. Granholm: Why would we be allowing China to corner the market on the critical minerals that make up the batteries for the electric vehicle, when we could be extracting them here with --

¹ Microvast Holdings, Inc., U.S. Securities and Exchange Commission, Form S-1 (Jan. 28, 2022), <https://ir.microvast.com/static-files/90b08f19-d366-42d5-9da9-a21f6cd37670>; U.S. Dep’t of Energy, *Bipartisan Infrastructure Law Battery Factsheets*, at 16, https://www.energy.gov/sites/default/files/2022-10/DOE%20BIL%20Battery%20FOA-2678%20Selectee%20Fact%20Sheets%20-%201_2.pdf.

² See Scott Levine, *Why Shares of Microvast Holdings Skyrocketed This Week*, NASDAQ (Oct. 23, 2022), <https://www.nasdaq.com/articles/why-shares-of-microvast-holdings-skyrocketed-this-week>.

³ Also concerning is reporting about DOE’s funding of LanzaTech, a company that partners with Chinese state owned entity Sinopec Capital, see Collin Anderson, *Biden’s Energy Department Funnels Millions to Beijing-Backed Green Energy Company*, Washington Free Beacon (Dec. 14, 2022), <https://freebeacon.com/national-security/bidens-energy-department-funnels-millions-to-beijing-backed-green-energy-company/>

responsibly, sustainably, and processing them here sustainably, and putting them into batteries here, and putting them in the vehicles here?⁴

Following the hearing, in response to Committee questions for the record, you provided written acknowledgment of the energy and national security threats the CCP poses when involved in our supply chain:

Q: If the country is on a path to a clean energy future, what is the threat to America's energy security as we depend on a manufacturing supply chain from an adversarial country like China that can be hostile to our future?

Sec. Granholm: America's energy security depends on resilient, diverse, and secure supply chains, which are also crucial for ensuring overall economic prosperity and national security . . . Reliance on foreign sources for any of these supply chain steps may introduce risk to the entire supply chain, in particular when located in a country that poses a national security risk⁵

Earlier this year, you again repeated the seriousness of the threat posed by the CCP to our energy sector, quoting the U.S. Intelligence Community:

Sec. Granholm: While many energy sector companies have sophisticated cybersecurity programs, resources vary by size and segment of the sector. Further, cyber threats to the energy sector range from cybercriminals looking to exploit access for a profit, to advanced persistent threats from nation-state adversaries working to leverage access to gain intelligence and the ability to cause disruptive effects. As noted in the 2022 Annual Threat Assessment of the U.S. Intelligence Community, 'China almost certainly is capable of launching cyber attacks that would disrupt critical infrastructure services within the United States, including against oil and gas pipelines and rail systems'⁶

In stark contrast to your testimony, it has been reported that DOE awarded \$200 million taxpayer dollars to Microvast, a U.S. based company functionally controlled by the CCP;

⁴ *The Fiscal Year 2022 DOE Budget: Hearing Before the Subcomm. on Energy of the H. Comm. on Energy & Commerce*, 117th Cong. 131 (2021) (statement of Jennifer Granholm, Sec'y, Dep't of Energy).

⁵ *Additional Questions for the Record, The Fiscal Year 2022 DOE Budget: Hearing Before the Subcomm. on Energy of the H. Comm. on Energy & Commerce*, 117th Cong. 66 (2021) (statement of Jennifer Granholm, Sec'y, Dep't of Energy).

⁶ *Additional Questions for the Record, The Fiscal Year 2023 DOE Budget: Hearing Before the Subcomm. on Energy of the H. Comm. on Energy & Commerce*, 117th Cong. 75 (2022) (statement of Jennifer Granholm, Sec'y, Dep't of Energy).

Microvast disclosed the CCP's control over its operations to the U.S. Securities and Exchange Commission (SEC) in public filings:

THE CENTRAL AND LOCAL PRC [People's Republic of China] GOVERNMENTS CONTINUE TO EXERCISE A SUBSTANTIAL DEGREE OF CONTROL AND INFLUENCE OVER BUSINESSES OPERATING IN CHINA. SUCH INFLUENCE AND CONTROL CAN BE EXERTED IN NUMEROUS WAYS, INCLUDING BY MEANS OF POLICIES IN RESPECT OF THE APPROVALS AND PERMITS REQUIRED TO OPERATE IN CHINA OR OWN A SUBSIDIARY IN CHINA, CONTROL OVER OFFERINGS CONDUCTED OVERSEAS AND/OR FOREIGN INVESTMENT IN CHINA-BASED ISSUERS, CONTROL OVER DATA SECURITY, PREFERENTIAL TREATMENTS SUCH AS TAX INCENTIVES, ELECTRICITY PRICING, AND SAFETY, ENVIRONMENTAL AND QUALITY CONTROL. IF THE PRC GOVERNMENT CHANGES ITS CURRENT POLICIES, OR THE INTERPRETATION OF THOSE POLICIES THAT ARE CURRENTLY BENEFICIAL TO US, WE MAY FACE PRESSURE ON OUR OPERATIONS AND OUR ABILITY TO GENERATE REVENUE OR MAXIMIZE OUR PROFITABILITY, OR WE MAY EVEN BE UNABLE TO CONTINUE TO OPERATE IN CHINA OR OFFER OR CONTINUE TO OFFER SECURITIES, ALL OF WHICH IN TURN COULD CAUSE THE VALUE OF OUR SECURITIES TO SIGNIFICANTLY DECLINE OR BE WORTHLESS.⁷

...

The PRC government exerts substantial influence over the manner in which we must conduct our business activities and may intervene, at any time and with no notice. If the PRC government at any time substantially intervenes, influences or establishes new policies, regulations, rules, or laws, such actions may result in a material change to our operations and/or the value of our common stock.⁸

The CCP's laws and regulations require U.S. based businesses operating in China to partner with local Chinese entities, whereby confidential technological and proprietary business

⁷ Microvast Holdings, Inc., U.S. Securities and Exchange Commission, Form S-1 (Jan. 28, 2022), <https://ir.microvast.com/static-files/90b08f19-d366-42d5-9da9-a21f6cd37670> (capitalized in original filing).

⁸ *Id.*

information is siphoned to the CCP.⁹ Microvast boasts of its PRC partnerships and has not given any indication of severing its relationship with the CCP: “As we expand our presence globally, we will continue to invest in our existing partnerships in the PRC and the Asia & Pacific region and continue to grow our business there.”¹⁰

FBI Director Christopher Wray publicly cautioned companies about partnering with businesses based in China: “When you deal with a Chinese company, know you’re also dealing with the Chinese government.”¹¹ He candidly warned in the same remarks: “The Chinese government is set on stealing your technology—whatever it is that makes your industry tick—and using it to undercut your business and dominate your market.”¹²

The matters we raise above evoke grave energy and national security concerns that require this Committee’s immediate attention. Therefore, we urge you to schedule a briefing with staff as soon as practicable, but no later than December 28, 2022. Please be prepared to provide substantive responses to the following, but not limited to, questions at the briefing:

1. What internal discussions and/or communications, if any, took place at DOE regarding the energy and national security risks of awarding a grant to Microvast?
 - a. Provide all electronic and/or written communications related to these discussions.
 - b. Did any DOE employee or official express concerns about awarding Microvast with the grant? Who? Why were they concerned?
2. Did any DOE employee or official discuss Microvast’s public SEC filings prior to grant award?
 - a. If so, which employees or officials?
 - b. What specifically was communicated and/or discussed at DOE about the SEC filings?
 - i. Provide all materials related to DOE’s communications involving Microvast’s SEC filings, including communications DOE had with Microvast.

⁹ See Jethro Mullen, *How China Squeezes Tech Secrets From U.S. Companies*, CNN (Aug. 14, 2017), <https://money.cnn.com/2017/08/14/news/economy/trump-china-trade-intellectual-property/index.html>; see also *id.* (“‘Chinese government authorities jeopardize the value of trade secrets by demanding unnecessary disclosure of confidential information for product approvals,’ the American Chamber of Commerce in China said in a report published in April.”).

¹⁰ Microvast Holdings, Inc., U.S. Securities and Exchange Commission, Form S-1 (Jan. 28, 2022), <https://ir.microvast.com/static-files/90b08f19-d366-42d5-9da9-a21f6cd37670>.

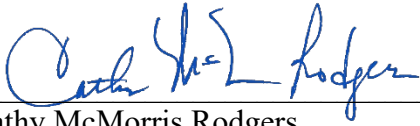
¹¹ Mike Glenn, *FBI Director, UK Counterpart Say China Wants to Steal Business Tech*, WASHINGTON TIMES (July 7, 2022), <https://www.washingtontimes.com/news/2022/jul/7/fbi-director-uk-counterpart-say-china-wants-steal/>

¹² Jon Porter, *FBI And MI5: ‘The Chinese Government Is Set on Stealing Your Technology’*, THE VERGE (July 7, 2022), <https://www.theverge.com/2022/7/7/23198045/fbi-mi5-chinese-government-spying-warning>.

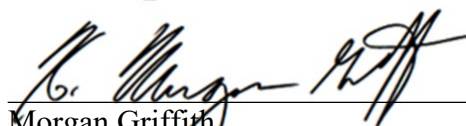
3. Did DOE communicate with Microvast, or its affiliated groups and persons, any concerns regarding its relations to Chinese business and governmental entities?
 - a. Provide all communications between DOE and Microvast related to its connections with the Chinese business and governmental entities.
4. Did any Intelligence Community agency, including the FBI, communicate with DOE about Microvast?
 - a. Has any Intelligence Community agency provided briefings to DOE about awarding grants to companies that operate in China?
5. Did any third party (e.g., contractor, embassy or consulate, lobbyist or agent) consult with or communicate with DOE and/or Microvast (and its affiliated business entities) related to this grant award?
6. Has DOE previously awarded any grants or loans to Microvast?
 - a. If yes, please identify them.
 - b. Is DOE considering Microvast for any other grants or loans from the Department?
7. What percentage of DOE grant dollars have gone to companies that have a substantial portion of their facilities currently located in the PRC?
 - a. What percentage of DOE grants have gone to companies that have a substantial portion of their facilities currently located in the PRC?
 - b. What percentage of DOE loan dollars have gone to companies that have a substantial portion of their facilities currently located in the PRC?
 - c. What percentage of DOE loans have gone to companies that have a substantial portion of their facilities currently located in the PRC?

If you have any questions, please contact the Minority Committee Staff at (202) 225-3641.

Sincerely,



Cathy McMorris Rodgers
Republican Leader
Committee on Energy and Commerce



Morgan Griffith
Republican Leader
Subcommittee on Oversight
and Investigations
Committee on Energy and Commerce